

## STATUTORY FUNDING FORMULA COSTS

A majority of General Fund expenditures are determined by statutory funding formulas. These “mandatory” items are those that would require a change in permanent statute in order to spend at a level other than determined by current law.

*Attachment A* displays all of the major programs that have their funding determined by some type of statutory funding formula. The majority of this spending consists of Title XIX State Match in the AHCCCS, Department of Health Services and Department of Economic Security budgets, K-12 Education formula funding, and School Facilities Board funding. In total, funding formula spending makes up approximately \$6.9 billion of the state budget in FY 2008. This represents about 65% of total General Fund spending and leaves \$3.7 billion in non-formula spending in FY 2008. In comparison, statutory formulas constituted 67% of spending in FY 2007.

Laws 1995, Chapter 196 added language to many programs traditionally defined as “mandatory” to clarify that the Legislature is under no obligation to fund the programs beyond the original appropriation. Specifically, Chapter 196 added a general provision (A.R.S. § 1-254) that no statute construes a requirement for the expenditure of state monies in excess of a specific legislative appropriation. It then added this same language to a number of specific programs, such as AHCCCS, Community Colleges operating state aid, Foster Care and a number of other programs within the Department of Economic Security, K-12 funding formulas, and Behavioral Health and Children’s Rehabilitative Services within the Department of Health Services. The Chapter 196 language has yet to be used in an attempt to cap any spending program at its appropriated level.

**Statutory Funding Formula  
General Fund Expenditures**

<u>Agency</u>	<u>FY 2008</u>	<u>Comments</u>
AHCCCS		
- Title 19 State Match	882,949,600	Excludes Administration, Dispro Share, Critical Access, Hospital Loan, Rural Hospital Reimbursement, Medicare Part D co-pay subsidy, Graduate Medical Education and Board of Nursing funding. Includes county hold harmless.
- Proposition 204 State Match	219,857,600	
- Title 21 (KidsCare) State Match	36,589,100	
Board of Regents	10,041,200	Financial Assistance
Community Colleges	166,544,800	District Operating, Capital, Equalization Aid, and Tribal Assistance
Economic Security, Dept. of		
- Title XIX Long-Term Care State Match	266,197,000	Excludes pass-through to Administration Division
- TANF Cash Benefits	45,850,800	
- Tuberculosis Control	32,200	
- Child Care - Day Care Subsidy	84,482,900	
Education, Dept. of		
- Basic State Aid	3,850,249,700	
- Additional State Aid	359,013,100	
- Special Education Vouchers	35,237,700	
Environmental Quality, Dept. of	15,000,000	WQARF
Emergency & Military Affairs, Dept. of		
- Governor's Emergency Fund	4,000,000	
Health Services, Dept. of		
- Title XIX State Match	249,096,500	Behavioral Health, CRS and Premium Tax. Excludes Administration.
- Proposition 204 State Match	85,658,200	
Judiciary		
- Judges' Salaries	11,868,300	State pays Supreme Court, Court of Appeals and 50% of Superior Court salaries. Excludes benefits (ERE).
- Juvenile Probation	15,625,100	Probation officers ratio in statute.
- Adult Probation	25,607,900	Probation officers ratio in statute.
Land Department	3,000,000	Wildfire Emergency
Rangers Pensions	13,400	
State Parks Board	20,000,000	Growing Smarter
School Facilities Board		
- Building Renewal	86,283,500	Formula generated \$190 M for FY 08, but was suspended.
- New Schools Facilities Fund	71,967,200	Debt service payment
- New School Construction	370,000,000	Cash payments for new school construction
Tourism	15,649,400	
State Treasurer	2,230,100	Justice of the Peace salaries - Permanent law requires the state to pay 40% of JP's salaries. FY 08 session law in JLBC Baseline sets formula at 38.5%.
Water Resources, Dept. of	1,000,000	Water Protection Fund. Statute requires \$5 million, but was suspended.
Constitutional Officer Salaries	3,017,500	Non-Judicial. For judges' salaries see Judiciary above.
<b>TOTAL GF FUNDING FORMULA EXPENDITURES</b>	<b>\$ 6,937,062,800</b>	
Total General Fund Expenditures	10,604,297,300	Operating Budget appropriations.
Less: GF Funding Formula Expenditures	(6,937,062,800)	
<b>Net Non-Formula Spending</b>	<b>\$ 3,667,234,500</b>	